

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 EUR-25 IO-12 CIAE-00 DODE-00 NSAE-00

NSCE-00 SSO-00 USIE-00 AGR-20 CEA-02 COME-00 EB-11

FRB-02 H-02 INR-10 INT-08 L-03 LAB-06 NSC-10 PA-03

RSC-01 AID-20 CIEP-02 SS-15 STR-08 TAR-02 TRSE-00

PRS-01 OMB-01 XMB-07 OPIC-12 SIL-01 RSR-01 INRE-00

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O R 260915 Z APR 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 3431

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY MANILA

USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 TOKYO 5173

MANILA FOR VOLKER

E. O. 11652: N/ AOC

TAGS: EFIN, EGEN, JA

SUBJ: NEW GOJ CAPITAL LIBERALIZATION POLICY

REF: A. TOKYO 4914; B. TOKYO 5089; C. TOKYO 5090

FOLLOWING IS FONOFF PROVISIONAL ENGLISH TRANSLATION OF
REPORT OF FOREIGN INVESTMENT DELIBERATION COUNCIL TO
FINANCE MINISTER AICHI.

QUOTE REPORT OF THE FOREIGN INVESTMENT COUNCIL
25 APRIL, 1973

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TO: MR. KIICHI AICHI,
MINISTER OF FINANCE

FROM: MR. ATARU KOBAYASHI,
CHAIRMAN OF THE FOREIGN INVESTMENT COUNCIL

THE COUNCIL, WHICH RECEIVED AN INQUIRY FROM THE GOVERNMENT ON 18 TH JANUARY, 1973, CONCERNING THE STEPS TO BE TAKEN FOR THE LIBERALIZATION OF INWARD DIRECT INVESTMENT, HAS SINCE THEN BEEN ENGAGED IN STUDYING THE MATTER AND, HAVING REACHED THE CONCLUSIONS SET FORTH BELOW, HEREBY SUBMITS ITS REPORT. IT IS RECOMMENDED THAT THE GOVERNMENT GIVE DUE CONSIDERATION TO THE PRESENT REPORT AND PROMPTLY PUT INTO EFFECT THE NECESSARY LIBERALIZATION MEASURES.

1. BASIC VIEW

IT IS ALREADY NINE YEARS SINCE JAPAN UNDERTOOK THE OBLIGATIONS EMBODIED IN " THE CODE OF LIBERALIZATION OF CAPITAL MOVEMENTS" OF THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (HEREINAFTER REFERRED TO AS THE TO AS THE OECD CODE) THE PRINCIPAL OBJECTIVE OF WHICH IS THE COMPLETE LIBERALIZATION OF INTERNATIONAL CAPITAL MOVEMENTS, AND, ALTHOUGH THE FOUR CONSECUTIVE ROUNDS OF LIBERALIZATION MEASURES HAVE BEEN INTRODUCED IN THE INTERVENING PERIOD IN CONNECTION WITH INWARD DIRECT INVESTMENT, MANY RESERVATIONS TO LIBERALIZATIONS IN THIS AREA ARE STILL IN FORCE.

ON THE OTHER HAND, IN LINE WITH THE MARKED IMPROVEMENT OF JAPAN'S ECONOMIC POSITION IN RECENT YEARS, THE ROLE THE JAPANESE ECONOMY PLAYS IN THE INTERNATIONAL ECONOMY HAS GROWN AND THE BUSINESS ACTIVITIES ABROAD OF JAPANESE ENTERPRISES HAVE BEEN INCREASING.

IN VIEW OF THIS SITUATION, IT IS DEEMED NECESSARY FOR JAPAN TO DEMONSTRATE TO THE WORLD ITS DETERMINATION AND POSTURE AIMING AT PROMOTING IN A MOST POSITIVE MANNER THE INTERNATIONALIZATION OF ITS ECONOMY, OF THE BELIEF
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THAT THIS TYPE OF ACTION WILL HELP AVOID POSSIBLE SURGE OF PROTECTIONISM IN THE WORLD ECONOMY, AND THUS INSTRUMENTAL TO THE MAINTENANCE OF WORLD PEACE AND PROSPERITY WHICH DEPENDS ON THE SPIRIT OF INTERNATIONAL COOPERATION.

IN PURSUANCE OF THIS PURPOSE IT IS OF URGENT NECESSITY

THAT THE GOVERNMENT SHOULD NOW RESOLUTELY LIBERALIZE INWARD DIRECT INVESTMENT TO THE MAXIMUM EXTENT JAPAN'S PRESENT ECONOMIC SITUATION PERMITS, AND ADOPT THE 100 PERCENT LIBERALIZATION PRINCIPLE STIPULATED IN THE OECD CODE, DEPARTING FROM THE EXISTING FRAMEWORK BASED PRIMARILY UPON THE SO-CALLED 50 PERCENT PRINCIPLE. ALSO BY VIRTUE OF THIS ACTION, THE FURTHER DEVELOPMENT OF THE JAPANESE ECONOMY IS TO BE EXPECTED THROUGH FREER INTERNATIONAL EXCHANGES OF CAPITAL AND TECHNOLOGY.

AS TO THOSE RESTRICTIVE MEASURES WHICH ARE DEEMED APPROPRIATE TO BE MAINTAINED IN THE CONTEXT OF THE PRESENT LIBERALIZATION, IT IS NECESSARY TO SUBJECT THEM TO CONTINUOUS REAPPRAISAL WITH A VIEW TO EXPLORING POSSIBILITY OF LIBERALIZATION TAKING INTO ACCOUNT PROGRESS TO BE MADE IN CREATING AN IMPROVED STRUCTURE AND SYSTEM, INCLUDING LEGISLATIVE MEASURES, AND TO PROMOTE A FURTHER LIBERALIZATION IN THIS AREA. FLEXIBLE APPLICATION OF THESE RESTRICTIVE MEASURES IS, IN THE MEANTIME, WARRANTED.

EVEN AFTER IMPLEMENTING THE LIBERALIZATION MEASURES CONTAINED HEREIN, IT IS OF COURSE POSSIBLE FOR THE GOVERNMENT TO TAKE NECESSARY RESTRICTIVE MEASURES, SHOULD SERIOUS DAMAGES BE INCURRED UPON RELATED INDUSTRIES, INTER ALIA, UPON MEDIUM AND SMALL SCALE ENTERPRISES OR AGRICULTURE, DUE TO THE ESTABLISHMENT OF NEW COMPANIES OR PARTICIPATION IN THE MANAGEMENT OF EXISTING COMPANIES BY FOREIGN CAPITAL. IT ALSO GOES WITHOUT SAYING THAT UNFAIR BUSINESS PRACTICES ON THE PART OF FOREIGN CAPITAL IN JAPAN ARE NOT BE PERMITTED.

HOWEVER, ALL JAPANESE ENTERPRISES SHOULD REAFFIRM THEIR DETERMINATION TO ACHIEVE SOUND DEVELOPMENT BY
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THEIR OWN EFFORTS UNDER FREE AND FAIR INTERNATIONAL COMPETITION.

2. CONTENT OF LIBERALIZATION MEASURES

LIBERALIZATION MEASURES CONNECTED WITH INWARD DIRECT INVESTMENT AND INWARD PORTFOLIO INVESTMENT TO BE IMPLEMENTED ARE AS FOLLOWS:

(1) APPROVAL OF SHARE ACQUISITION BY FOREIGN INVESTORS PROVIDED IN ARTICLE 11 OF ZHLAW CONCERNING FOREIGN INVESTMENT WILL BE GIVEN AUTOMATICALLY BY THE COMPETENT MINISTER IN ACCORDANCE WITH THE OECD CODE, EXCEPT IN CASES WHERE

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INFO OCT-01 ADP-00 EUR-25 IO-12 CIAE-00 DODE-00 NSAE-00

NSCE-00 SSO-00 USIE-00 AGR-20 CEA-02 COME-00 EB-11

FRB-02 H-02 INR-10 INT-08 L-03 LAB-06 NSC-10 PA-03

RSC-01 AID-20 CIEP-02 SS-15 STR-08 TAR-02 TRSE-00

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FM AMEMBASSY TOKYO
TO SECSTATE WASHDC IMMEDIATE 3432
INFO USMISSION EC BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY MANILA
USSMISSION OECD PARIS 2379

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(I) IT IS NOT CLEAR WHETHER THERE IS THE CONSENT
OF AN EXISTING ENTERPRISE AS TO THE ACQUISITION OF ITS
SHARES BY FOREIGN INVESTORS - SUCH CASES BE DEALT WITH
AS HITHERTO, OR

(II) THE ACQUISITION OF SHARES OF AN ENTERPRISE,
EITHER EXISTING OR CREATION, WHICH BELONGS TO ANY
OF THE INDUSTRIES LISTED IN ANNEX 1 WOULD REMAIN TO BE
TREATED AS HITHERTO AND THE ACQUISITION OF SHARES OF
AN ENTERPRISE, EITHER EXISTING OR CREATION, WHICH BELONG
TO ANY OF THE INDUSTRIES LISTED IN ANNEX 2 WOULD REMAIN
TO BE DEALT WITH AS HITHERTO UP TO THE DATE MENTIONED IN
THE ANNEX.

(2) IN GIVING THE AUTOMATIC APPROVAL MENTIONED
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IN (1) ABOVE, THE CONFIRMATION AND EXAMINATION PROCEDURES
CURRENTLY IN USE WILL BE PROGRESSIVELY SIMPLIFIED.

ANNEX 1

PRIMARY INDUSTRY RELATED TO AGRICULTURE, FORESTRY AND FISHERIES
MINING
OIL INDUSTRY
LEATHER AND LEATHER PRODUCTS
RETAIL TRADE OPERATIONS

ANNEX 2

MEAT PRODUCTS 1975.4.30
(LIMITED TO ENTERPRISES ENGAGED IN
MANUFACTURING OF HAM, SAUSAGE, AND
BACON, AND PROCESSING OF BEEF AND
CHICKEN)
FRUITS JUICE OR FRUIT BEVERAGE 1976.4.30
MANUFACTURING
TOMATO PRODUCTS 1975.4.30
FEEDSTUFF MANUFACTURING 1975.4.30
PRE- COOKED FOODS INDUSTRY FOR 1975.4.30
WHOLESALE DISTRIBUTION TO
RESTAURANTS, ETC.
MANUFACTURING OF OR WHOLESALE 1975.4.30
TRADE IN APPAREL (LIMITED TO
ENTERPRISES IN THE FIELD OF MEN' S,
WOMEN' S AND CHILDREN' S OUTER
GARMENTS, OR KNIT GARMENTS
MANUFACTURING OF DRUGS AND MEDI- 1975.4.30
CINES OR AGRICULTURAL CHEMICALS
(INCLUDING QUASI- MEDICINES AND
VETERINARY DRUGS AND MEDICINES)
MANUFACTURING OF SENSITIZED PHOTO- 1976.4.30
GRAPHIC MATERIALS
FERRO- ALLOY PRODUCTS 1975.4.30
HYDRAULIC EQUIPMENT 1975.4.30
MANUFACTURING
PACKAGING AND PACKING MACHINERY 1975.4.30
INDUSTRY
MANUFACTURING, SALES OR LEASING OF 1975.11.30
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ELECTRONIC COMPUTERS (INCLUDING
PERIPHERAL EQUIPMENTS, TERMINAL
UNITS, PARTS AND ACCESSORIES) AND
COMPUTER- AIDED SYSTEMS (SEE NOTE1)

INFORMATION PROCESSING INDUSTRY 1976.3.31
(INCLUDING THE SOFTWARE INDUSTRY) (SEE NOTE 2)
ELECTRONIC PRECISION INSTRUMENTS 1975.4.30
INDUSTRY (LIMITED TO INSTRUMENT FOR
MEDICAL OR ELECTRICAL MEASUREMENT)
INTEGRATED CIRCUITS MANUFACTURING 1974.11.30
PHONOGRAPH RECORDS INDUSTRY 1975.4.30
REAL ESTATE BUSINESS 1975.4.30

NOTE:

1. ACQUISITION OF SHARES OF COMPANY, NEWLY ESTABLISHED
AND ENGAGED IN MANUFACTURING, SALES OR LEASING OF
ELECTRONIC COMPUTERS (INCLUDING PERIPHERAL EQUIP-
MENTS, TERMINAL UNITS, PARTS AND ACCESSORIES) OR
COMPUTER AIDED SYSTEMS, WILL BE SUBJECT TO THE SAME
PROCEDURE HITHERTO APPLIED TO THE CLASS - 1 OF NEWLY
ESTABLISHED COMPANIES (THE SO- CALLED 50 PERCENT LIBERAL-
IZED INDUSTRIES) FROM 4 TH AUGUST, 1974 UNTIL 30 TH NOVEM-
BER, 1975.

2. ACQUISITION OF SHARES OF COMPANY, NEWLY ESTABLISHED
AND ENGAGED IN INFORMATION PROCESSING (INCLUDING SOFTWARE)
WILL BE SUBJECT TO THE SAME PROCEDURE MENTIONED IN 1. ABOVE
FROM 1 ST DECEMBER 1974 UNTIL 31 ST MARCH, 1976.

3. PROCESSED CHEESE MANUFACTURING INDUSTRY IS LIBERAL-
IZED ON CONDITION THAT DOMESTIC NATURAL CHEESE ACCOUNTS
FOR MORE THAN ONE THIRD OF THE RAW MATERIALS USED IN THE
MANUFACTURING OF THE PRODUCT. UNQUOTE. (EMBASSY NOTES THAT
FOOTNOTE
ON RETAIL TRADE WHICH APPEARED IN SUMMARY REPORTED REF B. DOES NOT
APPEAR IN FOREIGN OFFICE TRANSLATION OR IN ORIGINAL JAPANESE TEXT.)
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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

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Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 980206
Subject: NEW GOJ CAPITAL LIBERALIZATION POLICY
TAGS: EFIN, EGEN, JA
To: EA
STATE INFO EC BRUSSELS
GENEVA
LONDON
MULTIPLE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

